ATTACHMENT 1

CITY OF COSTA MESA

CALIFORNIA 92628-1200 P.O. BOX 1200

FROM THE OFFICE OF THE CITY CLERK

July 16, 2013

Nicole Dragoo
Chandler Asset Management
6225 Lusk Boulevard
San Diego, CA 92121

Dear Ms. Dragoo:

RE: Investment Management Agreement

For your records is an original of the agreement between Chandler Asset Management and the City of Costa Mesa.

Sincerely,

Brenda Green

Brenda Green
City Clerk

Enclosure (1)

77 FAIR DRIVE
PHONE: (714) 754-5225 • TDD: (714) 754-5244 • www.costamesaca.gov

CHANDLER
ASSET
MANAGEMENT

INVESTMENT MANAGEMENT AGREEMENT
(Institutional Client, Non-ERISA)

The City of Costa Mesa (Client) hereby retains Chandler Asset Management, Inc. (Chandler) as Investment Adviser on the terms and conditions set forth herein.

1. Term. The term of this Agreement shall commence upon the execution of this Agreement and shall continue for a period of three years with the option to extend for two (2) one (1) year terms, unless the Agreement is terminated effective upon receipt of notice of termination in writing delivered by the terminating party.

2. Fees. Client shall compensate Chandler monthly an amount calculated on the average market value of Client's portfolio, including accrued interest, in accordance with the following schedule:

Assets Under Management	Annual Investment Management Fee
First $25 million	10 bps (or 0.10 of 1%)
Next $25 million	8 bps (or 0.08 of 1%)
Assets in excess of $50 million	7 bps (or 0.07 of 1%)

The fees expressed above do not include any custody fees that may be charged by Client's bank or other third party custodian.

Fees shall be prorated to the effective date of termination on the basis of actual days elapsed, and any unearned portion of prepaid fees shall be refunded. Client is not required to pay any start-up or closing fees; there are no penalty fees.

Fees shall be deducted monthly in arrears from Client's custody account.

3. Client Representative. In its capacity as investment manager, Chandler shall receive all instructions, directions and other communications on Client's behalf respecting Client's account from the City Treasurer. Chandler is hereby authorized to rely and act upon all such instructions, directions and communications from such Representative or any agent of such Representative.

4. Investment Policy. In investing and reinvesting Client's assets, Chandler shall comply with Client's Investment Policy, which is attached hereto as Exhibit A.

5. Authority of Chandler. Chandler is hereby granted limited discretion for a period of at least six (6) months following execution of the agreement. During such time, Chandler is required to receive approval from Representative or his/her designee, before investing and reinvesting any assets under its management in any type of security. After such time, Representative will have authority to grant Chandler, up to and including, full discretion to invest and reinvest all assets under its management in any type of security it deems appropriate, subject to the instructions given or guidelines set by Representative.

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6. Notices. All reports and other communications required hereunder to be in writing shall be delivered in person, or sent by first-class mail postage prepaid, by overnight courier, by confirmed facsimile with original to follow or by confirmed electronic mail with proof of receipt to the addresses set forth below. Either party to this Agreement may, by written notice given at any time, designate a different address for the receipt of reports and other communications due hereunder.

Chandler Asset Management	Client Representative
Attn: Nicole Dragoo	Bobby Young, Treasurer, City of Costa Mesa
6225 Lusk Boulevard	P.O. Box 1200
San Diego, CA 92121	Costa Mesa, CA 92628-1200

7. Electronic Delivery. From time to time, Chandler may be required to deliver certain documents to Client such as account information, notices and required disclosures. Client hereby consents to Chandler's use of electronic means, such as email, to make such delivery. This delivery may include notification of the availability of such document(s) on a website, and Client agrees that such notification will constitute "delivery". Client further agrees to provide Chandler with Client's email address(s) and to keep this information current at all times by promptly notifying Chandler of any change in email address(s).

   Client email address(s): Bobby.Young@costamesaca.gov, Colleen.O'Donoghue@costamesaca.gov

8. Proxy Voting. Chandler will vote proxies on behalf of Client unless otherwise instructed. Chandler has adopted and implemented written policies and procedures and will provide Client with a description of the proxy voting procedures upon request. Chandler will provide information regarding how Clients' proxies were voted upon request. To request proxy policies or other information, please contact us by mail at the address provided, by calling 800-317-4747 or by emailing your request to info@chandlerasset.com.

9. Custody of Securities and Funds. Chandler shall not have custody or possession of the funds or securities that Client has placed under its management. Client shall appoint a custodian to take and have possession of its assets. Client recognizes the importance of comparing statements received from the appointed custodian to statements received from Chandler. Client recognizes that the fees expressed above do not include fees Client will incur for custodial services.

10. Valuation. Chandler will value securities held in portfolios managed by Chandler no less than monthly. Securities or investments in the portfolio will be valued in a manner determined in good faith by Chandler to reflect fair market value.

11. Investment Advice. Client recognizes that the opinions, recommendations and actions of Chandler will be based on information deemed by it to be reliable, but not guaranteed to or by it. Provided that Chandler acts in good faith, Client agrees that Chandler will not in any way be liable for any error in judgment or for any act or omission, except as may otherwise be provided for under the Federal Securities laws or other applicable laws.

12. Payment of Commissions. Chandler may place buy and sell orders with or through such brokers or dealers as it may select. It is the policy and practice of Chandler to strive for the best price and execution and for commission and discounts which are competitive in relation to the value of the transaction and which comply with Section 28(e) of the Securities and Exchange Act. Nevertheless, it is understood that Chandler may pay a commission on transactions in excess of the amount another broker or dealer may charge, and that Chandler makes no warranty or representation regarding commissions paid on transactions hereunder.

13. Other Clients. It is further understood that Chandler may be acting in a similar capacity for other institutional and individual clients, and that investments and reinvestments for Client's portfolio may differ from those made or recommended with respect to other accounts and clients even though the investment objectives may be the same or similar. Accordingly, it is agreed that Chandler will have no obligation to purchase or sell for Client's account any securities which it may purchase or sell for other clients.

14. Confidential Relationship. The terms and conditions of this Agreement, and all information and advice furnished by either party to the other shall be treated as confidential and shall not be disclosed to third parties except (i) as required by law, rule, or regulation, including the California Public Records Act, (ii) as requested by a regulatory authority, (iii) for disclosures by either party of information that has become public by means other than wrongful conduct by such party or its officers, employees, or other personnel, (iv) for disclosures by either party to its legal counsel, accountants, or other professional advisers, (v) as necessary for Chandler to carry out its responsibilities hereunder, or (vi) as otherwise expressly agreed by the parties.

15. No Assignment& Amendments. Neither party may assign, directly or indirectly, all or part of its rights or obligations under this Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed. This Agreement may be amended at any time by mutual agreement in writing.

16. Governing Law. It is understood that this Agreement shall be governed by and construed under and in accordance with the laws of the State of California.

17. Severability. Any provision of this Agreement which is prohibited or unenforceable shall be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof.

18. Receipt of Brochure and Privacy Policy. Client has received the disclosure statement or "brochure" and "brochure supplement" also known as Part 2A and Part 2B of Form ADV, required to be delivered pursuant to Rule 204-3 of the Investment Advisers Act of 1940 (Brochure). Client has received a copy of Chandler's Privacy Policy.

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19. Arbitration. It is agreed that any controversy between Chandler and the Client arising out of Chandler business or this Agreement, shall be submitted to arbitration conducted under the provisions of the commercial arbitration rules of the American Arbitration Association. Arbitration must be commenced by service upon the other party of a written demand for arbitration or a written notice of intention to arbitrate, therein electing the arbitration tribunal. In the event the Client does not make such election within five (5) days of such demand or notice, then the Client authorizes Chandler to do so on the Client's behalf. Judgment upon any award rendered by the arbitrators shall be final and may be entered in any court having jurisdiction thereof. This clause does not constitute a waiver of any right including the right to choose the forum, whether arbitration or adjudication, in which to seek resolution of disputes.

Client:

By: Thomas R. Hatch 7/12/13
Date

Name & Title: Thomas Hatch, Chief Executive Officer

Project Manager:

By: Bobby Young 7/10/13
Date

Name & Title: Bobby Young, Finance & I.T. Director

Approved as to Form:

By: 07/10/13
Date

Name & Title: Tom Duarte, City Attorney

Chandler Asset Management, Inc.,
a California Corporation

By: Kay Chandler 7/9/13
Date

Name & Title: Kay Chandler, President